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21 April 2025

Chairman Abney
House Committee on Finance
82 Smith Street
Providence, RI 02906

Chairman Abney and Members of the House Finance Committee

Subj: H-6238 / H-5198 / H-5764 / H-5318 / H-5762

I wish to state my overwhelming support for the following House Bills: H-6238 / H-5198 / H-5764 / H-5318 / H-5762 / H-5764

H-6238 Funding would come from the Pension Fund which was over \$11.7 Billion as of 28 February 2025! The latest figures available on the General Treasurer's Website as of 21 April.

If you have any questions, please feel free to contact me at home: 401-996-4985 or via e-mail: agpalazzo@gmail.com.

Your time and effort in support of this matter is greatly appreciated.

Very respectfully,

A.G. Palazzo
CDR USN (Ret)

Cc: Members of the House Finance Cmte, Speaker Shekarchi, Rep Serpa, Rep Fellela, Ms. Nicole McCarty and Ms. Sharon Reynolds.

Ref: ERSRI Actuarial Valuation as of 30 June 2024
https://www.ersri.org/sites/default/files/2024-12/ERSRI_Val2024%201216.pdf

Attachments:

- (1) GRS Actual Rpt Presentation dtd 18 Dec 2024 Slide 17 "The Holmenkollen Graph"
- (2) GRS Actual Rpt Presentation dtd 18 Dec 2024 Slide 20 COLA History and Calculations "Misrepresentations"

HFC Testimony 22 April

Chairman Abney and Members of this Cmte, Advocates have provided you with an awful lot of information to you in a short time. So, we will be leaving you and your staff with “Cliff Note” versions of our talking points for later reference.

If you desire, we can also forward them as files for further dissemination if you so desire. My peers have discussed most of our issues and I’m going to cover some items they might have inadvertently skipped over.

As I alluded to earlier, you understand the issues as do we, and we are hopeful that this Cmte will be the Champion for not only the approximately 30K ERSRI Retirees but also the approximately 30K Actives who were negatively impacted by RIRSA! (Rule of 95! TIAA Limitations etc.)

You should know many Current Employees have stated that they wish they could invest THEIR Money elsewhere! Just ask the question.....

The “target date” set by ERSRI for the “return” of COLAs, i.e. when the Pension reaches 75% funding, is 2030 04 2031! (See Slide 20 of the GRS Actuarial Valuation Reference)

That being said, there are two exhibits that I wish to bring to your attention. The first is what we refer to as the Holmenkollen Graph, so named because of its resemblance to the steep Ski Jump in Oslo Norway. As can be seen in this Graph, the 20 year “plan” under RIRSA 2011 is for the State’s Contribution to drop off precipitously after 2035! (See Slide 17 of the GRS Actuarial Valuation Reference)

Of note, the graph has not changed much yet when a Member of the Retirement Board asked during GRS’s December presentation of the Report if the latest Statewide raises over FY 25 - FY 27, i.e. 5%, 4% and 3%, had been factored into the State’s Contribution, the answer was NO! So much for “Due Dilligence!” Should this Cmte ask about that?

In our opinion, GRS and ERSRI ignore their Fiduciary Responsibility to its Members by camouflaging the reliance of the Mortality Rate in the RIRSA 2011 Plan. It is a 20 year “plan” crafted for people with a 20-year life expectancy! This sinister “solution” is, in our opinion, disguised as sound fiscal management in the GRS Report. The “solution is basic – flatline benefits until the beneficiaries die!

In our opinion, the Actuarial Valuation Report should include (a) the number of retirees in 2012, (b) the number of Pre-2012 retirees now (living and dead), and (c) the projected number of Pre-2012 retirees (living and dead) in 2030. This data has been used to define and trumpet a “successful” program which should “stay the course”. Where is the Fiduciary responsibility towards the retirees with that methodology of program evaluation – the program’s “customers” are ignored?

With regards to the “COLA” History and Calculations” Misnomers in the GRS Report. (See Slide 20 of the GRS Actuarial Valuation Reference)

In general terms, the GRS reporting format ignores and/or camouflages the intended consequences of RIRSA, i.e. the collateral damage on retirees.) and turns them into “unintended consequences.” ERSRI continues to withhold these “unintended consequences.” From the Public. The Retirees, and the decision-makers in the General Assembly!

The Following are the Main Points which are omitted or misstated in the GRS Report:

- (1) The RIIRSA 2025 COLA is deliberately misleading, presented as 2.89% without being adjusted for the capped amount it is applied to. This inflates the actual value of this so-called “COLA.”
- (2) The report’s narrative following the misleading COLA Summary states that “COLAs” will be “fully restored” in Calendar year 2030!
NB: The pre-RIRSA COLA was 3% of the last three years of full salary, compounded on an annual basis. This contracted COLA is NOT being “fully restored. In fact, the “restored COLA is not a COLA at all!
The narrative is deliberately misleading and is not supported by its own numbers. Hence, the “fully restored COLA, is Not full, is NOT a COLA, and is NOT restored!
- (3) GRS and ERSRI ignores its Fiduciary Responsibility to its members by NOT informing them of the impact of Inflation on the values of their allegedly “defined” benefits. GRA and ERSRI are the Fiscal Advisors to their members, and yet refuse to quantify the inflationary impact on benefits (40% decrease and counting) in their reporting system. In our opinion, to evaluate the quality of the ERSRI product without quantifying the effects of inflation on the recipients of the product is tantamount to financial malpractice.

These Bills will do much to remedy the current situation for both Retirees and Active ERSRI Employees.